

COMPANY RESULTS

Hong Leong Bank (HLBK MK)

4QFY25: Solid All-round Performance

Hong Leong Bank's core FY25 earnings are broadly in line, supported by provision writebacks, strong NOII, positive operating JAWS and robust loan growth. We continue to like Hong Leong Bank for its ability to deliver above-industry growth while sustaining impeccable asset quality. Its valuation remains attractive at 1.00x P/B vs the sector's 1.15x, despite stronger ROEs. Maintain BUY with a target price of RM23.80 (1.19x FY26F P/B, 11.5% ROE).

RESULTS

- FY25: In line.** Hong Leong Bank posted 4QFY25 net profit of RM1.08b (+5.3% yoy, -20% qoq), bringing FY25 core earnings to RM4.68b (+11.6% yoy), broadly in line at 97% of our estimates. Core earnings exclude a RM407m non-cash dilution loss from Bank of Chengdu's bond conversion in 3QFY25. FY25 earnings growth was driven by higher provision writebacks (+235% yoy) from writebacks of excess overlays, positive operating JAWS, robust trading income (+82% yoy) which lifted NOII by 33%, and a 4bp yoy NIM expansion.
- 4QFY25 earnings rose 5.3% yoy**, supported by positive JAWS, stable NIM, strong loan growth (+7.8% yoy), robust trading income (+160% yoy) which lifted NOII by 26%, and a 1bp net credit cost writeback (vs +7bp in 4QFY24). Qoq, earnings fell sharply as 3QFY25 benefitted from an outsized 80bp overlay writeback, which normalised to a 1bp writeback in 4QFY25. Pre-provision operating profit grew 5% qoq, driven by a 3bps NIM uptick and strong trading gains.
- NIM holding up well.** NIM rose 3bps qoq to 1.90%, aided by the lower SRR (half-quarter impact) and proactive liability management, including stronger CASA growth (+10% yoy) and focus on growing shorter-tenure FD (75% of FD should repriced downwards within the next six months after the OPR cut). This lifted FY25 NIM by 4bps. With a below-industry LDR of 86.5% (vs peers' >90%), the group is better positioned to absorb OPR cuts by optimising LDR. For FY26, we forecast a 3bp NIM compression vs management's stable to -10bp compression guidance.
- Loan growth momentum gains traction.** Hong Leong Bank delivered FY25 loan growth of 7.8% yoy, above its 6-7% target and our 7% forecast, accelerating from 7.2% in 9MFY25. Growth was broad-based, led by auto loans (+10.1%), mortgages (+6.0%), and SMEs (+8.0%). For FY26, we forecast a 6% growth, at the lower end of management's 6-7% guidance.
- Provision continues to benefit from writebacks; core net credit cost remains benign.** The group recorded a 1bp net credit cost writeback in 4QFY25, bringing FY25 writeback to 18bps (vs 6bps in FY24), driven by a sizeable RM399m overlay reversal in 3QFY25. Excluding this, normalised net credit cost remained benign at just 1bp. Meanwhile, group LLC improved to 97% in 4QFY25 (3QFY25: 95%).

KEY FINANCIALS

Year to 30 Jun (RMm)	2024	2025	2026F	2027F	2028F
Net interest income	3,822	3,988	4,085	4,251	4,428
Non-interest income	963	1,251	1,426	1,531	1,623
Net profit (rep./act.)	4,196	4,273	4,734	5,160	5,582
Net profit (adj.)	4,196	4,681	4,734	5,160	5,582
EPS (sen)	201.8	205.6	227.7	248.2	268.5
PE (x)	9.8	8.8	8.7	8.0	7.4
P/B (x)	1.1	1.0	1.0	0.9	0.9
Dividend yield (%)	3.4	4.9	5.8	6.9	7.5
Net int margin (%)	1.79	1.79	1.76	1.76	1.77
Cost/income (%)	40.5	38.7	37.8	37.0	36.4
Loan loss cover (%)	155.0	96.8	91.8	126.4	127.4
Consensus net profit	-	-	4,634	4,910	n/a
UOBKH/Consensus (x)	-	-	1.02	1.05	n/a

Source: Hong Leong Bank, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM19.74
Target Price	RM23.80
Upside	+20.6%

COMPANY DESCRIPTION

This is fourth largest bank in term of asset size focusing on retail banking with a presence in China through 20%-owned Bank of Chengdu.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	HLBK MK
Shares issued (m):	2,167.7
Market cap (RMm):	42,790.8
Market cap (US\$m):	10,191.2
3-mth avg daily t'over (US\$m):	3.4

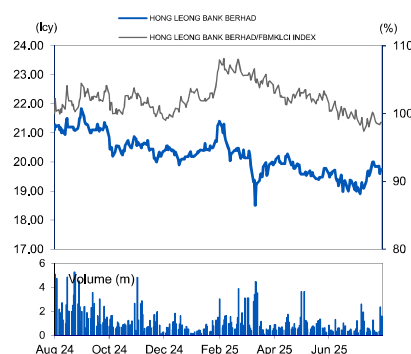
Price Performance (%)

52-week high/low			RM21.88/RM18.42	
1mth	3mth	6mth	1yr	YTD
2.0	(0.7)	(7.3)	(2.1)	(4.0)

Major Shareholders

	%
Hong Leong Financial Group Berhad	61.8
Employees Provident Fund Board	9.2
FY25 NAV/Share (RM)	19.26
FY25 CAR Tier-1 (%)	14.38

PRICE CHART



Source: Bloomberg

ANALYST(S)

Keith Wee Teck Keong
+603 2147 1981
keithwee@uobkayhian.com

STOCK IMPACT

- **Asset quality remains among the best-in-class.** Group GIL ratio improved to 0.54% in 4QFY25 (3QFY25: 0.57%). LLC strengthened to 97% (from 95%), while total coverage including regulatory reserves remained robust at 167%. For its SME portfolio, the group noted delinquency rates remain stable and expressed confidence in managing risks even if delinquencies were to rise going forward.
- **Significant increase in dividend payout.** The group declared a DPS of 68 sen, bringing FY25 DPS to 96 sen and lifting the payout ratio to 47% (FY24: 34%), ahead of our 40% assumption and implying a 4.8% yield. With CET1 at 14.2% and a potential 50bps uplift under full Basel 4 adoption (Jul 26), we see further scope for capital optimisation. We raise our FY26–27 payout assumptions to 50% and 55%, respectively translating into a potential FY26 dividend yield of 5.7%.
- **Bank of Chengdu performance contribution moderates.** Bank of Chengdu's contribution declined 33% yoy in FY25, driven by the ringgit strength and Hong Leong Bank's stake dilution to 17.8% (from 19.8%), in line with its longer-term strategy to refocus on core domestic banking growth. Despite this, Bank of Chengdu remained resilient with a 7% earnings growth, a stable GIL ratio of 0.66%, and strong LLC of 453%
- **FY26 guidance.** Management's key FY26 guidance are as follows: a) <10bp net credit cost; b) GIL ratio <0.65%; c) loans growth of 6-7%; d) cost-to-income ratio of ~39%, e) NIM: 1.80-1.90%, and f) ROE of 11.5-12.0%.

EARNINGS REVISION/RISK

- No changes to our forecasts.

VALUATIONS AND RECOMMENDATIONS

- **Maintain BUY and target price of RM23.80** (11.5% ROE and 1.19x FY26F P/B). Our target P/B multiple of 1.19x is in line with the stock's historical mean, while its current valuation at 1.0x P/B remains compelling, trading at 1.0SD below the historical mean P/B. We continue to favour Hong Leong Bank given its unique position of delivering above-industry growth while maintaining impeccable asset quality.

4QFY25 RESULTS

Profit & Loss (RMm)	4QFY25	4QFY24	yoy % chg	FY25	yoy % chg	
Net Interest Income	1,021.8	981.1	4.2	3,987.5	4.3	
Islamic Banking	302.6	259.9	16.4	1,159.8	17.6	
Fees & Commissions	180.9	179.2	0.9	716.4	6.2	
Trading income	97.2	37.3	160.6	236.8	82.0	
Other income	17.5	19.1	(8.2)	297.4	88.0	
Total Income	1,620.1	1,476.6	9.7	6,398.0	10.9	
Operating Expenses	(625.7)	(628.1)	(0.4)	(2,479.2)	6.0	
PPOP	994.5	848.5	17.2	3,918.8	14.2	
Provisions	(2.9)	31.2	(109.3)	383.6	239.0	
Associate	366.6	402.1	(8.8)	1,057.9	(33.4)	
Core PBT	1,358.2	1,281.8	6.0	5,767.9	12.3	
Core Net profit	1,088.6	1,034.0	5.3	4,681.0	11.6	
EPS (sen)	50.2	47.7	5.3	215.9	11.6	
DPS (sen)	68.0	43.0	58.1	96.0	41.2	
BVPS (RM)	19.16	18.19	5.3	19.16	5.3	
Financial Ratios (%)	4QFY25	4QFY24	yoy chg (ppt)	3QFY25	yoy chg (ppt)	Remarks
NIM	1.90	1.89	0.01	1.87	0.03	
Loan Growth, yoy	7.8	7.3	0.5	7.2	0.6	
Deposit Growth, yoy	8.4	4.1	4.3	5.7	2.6	
Loan/Deposit Ratio	86.6	86.8	(0.2)	88.1	(1.4)	
Cost/Income Ratio	38.6	42.5	(3.9)	38.8	(0.2)	
ROE	11.2	11.2	(0.1)	9.9	1.3	
NPL Ratio	0.5	0.5	0.0	0.6	(0.0)	
Credit Costs (bp)	0.6	(6.4)	7.0	(79.2)	79.8	
CET-1 CAR	13.2	13.3	(0.1)	12.8	0.4	

Source: HL Bank, UOB Kay Hian

KEY ASSUMPTIONS

(%)	2026F	2027F	2028F
Loan Growth	6.0	6.5	6.5
Credit Cost (bp)	2.0	2.0	2.0
ROE	11.5	11.8	12.2

Source: UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• Environmental	
- Carbon emission commitment	Reduce Scope 1 and 2 emissions by 40-50% by 2031
- Raising market share for hybrid vehicle financing.	Hong Leong Bank's market share for hybrid vehicle financing has rose to 9% in 2021, comprising 2.8% of the group's outstanding HP loans
• Social	
- Gender diversity.	Female comprises 40% of the group's upper management
• Governance	
- Non-independent board of directors composition.	Composition of Independent Non-Executive Directors (INED) – 55 %

Source: UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RMm)	2025	2026F	2027F	2027F
Interest income	8,889	9,675	10,181	10,660
Interest expense	(4,901)	(5,590)	(5,930)	(6,231)
Net interest income	3,988	4,085	4,251	4,428
Fees & commissions	720	777	839	906
Net Trading Income	230	288	316	326
Other income	301	361	376	391
Income from islamic banking	1,160	1,287	1,429	1,586
Total income	6,398	6,798	7,211	7,638
Staff costs	(1,333)	(1,386)	(1,456)	(1,528)
Other operating expense	(1,146)	(1,180)	(1,215)	(1,252)
Pre-provision profit	3,919	4,232	4,540	4,857
Loan loss provision	383	(45)	(24)	(25)
Other provisions	0	4	4	5
Associated companies	1,058	1,641	1,838	2,041
Pre-tax profit	5,360	5,833	6,358	6,877
Tax	(1,087)	(1,099)	(1,198)	(1,296)
Minorities	0	0	0	1
Net profit	4,273	4,734	5,160	5,582
Net profit (adj.)	4,681	4,734	5,160	5,582

BALANCE SHEET

Year to 30 Jun (RMm)	2025	2026F	2027F	2027F
Cash with central bank	2,028	4,470	4,756	5,066
Govt treasury bills & securities	45,319	47,132	49,017	50,978
Interbank loans	3,250	3,412	3,583	3,762
Customer loans	208,965	222,332	236,099	251,479
Investment securities	26,704	27,906	29,162	30,474
Derivative receivables	2,258	2,258	2,258	2,258
Associates & JVs	9,211	9,211	9,211	9,211
Fixed assets (incl. prop.)	1,110	1,154	1,201	1,249
Other assets	15,774	19,231	23,329	27,596
Total assets	314,618	337,107	358,616	382,072
Interbank deposits	9,936	10,532	11,164	11,834
Customer deposits	241,195	253,255	265,918	279,213
Derivative payables	2,650	2,862	3,091	3,338
Debt equivalents	4,423	4,417	4,417	4,416
Other liabilities	17,128	24,551	30,399	37,330
Total liabilities	275,331	295,617	314,988	336,131
Shareholders' funds	39,287	41,490	43,627	45,941
Minority interest - accumulated	0	0	0	0
Total equity & liabilities	314,618	337,107	358,616	382,072

OPERATING RATIOS

Year to 30 Jun (%)	2025	2026F	2027F	2027F
Capital Adequacy				
Tier-1 CAR	13.3	13.2	14.8	15.0
Total CAR	16.3	16.3	18.3	18.3
Total assets/equity (x)	8.0	8.1	8.2	8.3
Tangible assets/tangible common equity (x)	8.4	8.5	8.6	8.7
Asset Quality				
NPL ratio	0.5	0.6	0.6	0.6
Loan loss coverage	96.8	91.8	126.4	127.4
Loan loss reserve/gross loans	0.5	0.5	0.7	0.7
Increase in NPLs	9.9	12.8	5.6	3.7
Credit cost (bp)	(18.2)	2.0	1.0	1.0
Liquidity				
Loan/deposit ratio	86.6	87.8	88.8	90.1
Liquid assets/short-term liabilities	20.1	20.8	20.7	20.5
Liquid assets/total assets	16.1	16.3	16.0	15.7

KEY METRICS

Year to 30 Jun (%)	2025	2026F	2027F	2027F
Growth				
Net interest income, yoy chg	4.3	2.4	4.1	4.2
Fees & commissions, yoy chg	5.9	8.0	8.0	8.0
Pre-provision profit, yoy chg	14.2	8.0	7.3	7.0
Net profit, yoy chg	1.8	10.8	9.0	8.2
Net profit (adj.), yoy chg	11.6	1.1	9.0	8.2
Customer loans, yoy chg	8.1	6.4	6.2	6.5
Customer deposits, yoy chg	8.4	5.0	5.0	5.0
Profitability				
Net interest margin	1.8	1.8	1.8	1.8
Cost/income ratio	38.7	37.8	37.0	36.4
Adjusted ROA	1.5	1.5	1.5	1.5
Reported ROE	10.9	11.4	11.8	12.2
Adjusted ROE	10.9	11.4	11.8	12.2
Valuation				
P/BV (x)	1.0	1.0	0.9	0.9
P/NTA (x)	1.1	1.0	1.0	0.9
Adjusted P/E (x)	8.8	8.7	8.0	7.4
Dividend Yield	4.9	5.8	6.9	7.5
Payout ratio	46.7	50.0	55.0	55.0

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2025, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W